

1-1-1977

Washington report, vol. 6 no.18, June 27, 1977

American Institute of Certified Public Accountants.

Wade S. Williams

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants. and Williams, Wade S., "Washington report, vol. 6 no.18, June 27, 1977" (1977).
Newsletters. 586.

https://egrove.olemiss.edu/aicpa_news/586

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

AICPA *Washington Report*

June 27, 1977, Volume VI, Issue 34

Agriculture	Further amendments to FmHA technical regs proposed.	p. 1
CAB	Donald Tucker named to be member of Board	p. 1
Commerce	GAO finds faults in OMBE and EDA audit programs	p. 1
CFTC	FCM early warning system proposed	p. 1
FPC	Gas company uniform system of accounts amendments proposed.	p. 1
	James G. Watt resigns from Commission	p. 1
FRB	Wire transfer of funds regulations issued	p. 2
	Consumer pamphlet on equal credit issued for professionals.	p. 2
	63rd annual report released	p. 2
HEW	Audit guide for hospitals and skilled nursing facilities revised.	p. 2
	AICPA submits comments on Talmadge bill	p. 2
	GAO finds need for improvement in fraud and abuse reviews	p. 2
HUD	Final rules for college housing direct loan program issued.	p. 3
Interior	Trans-Alaska Pipeline Liability Fund established.	p. 3
ITC	Hearing scheduled on fuel efficiency taxes.	p. 3
ICC	Increased disclosure of carriers' corporate structure approved.	p. 3
	Final standards for filing railroad incentive rates published	p. 3
DOL	64th annual report for FY 1976 released	p. 3
	Proposed amendments to procurement regulations published.	p. 3
	Service provider regulations under ERISA issued	p. 3
SFC	Comments sought on energy accounting practices.	p. 4
	Clearing agency registration standards proposed	p. 4
	Failure found in enforcement of Public Utility Holding Company Act.	p. 4
	Lee Pickard, Market Regulation Director, announces he will leave.	p. 4
Treasury	Effective date of Rev. Rul. 76-453 may be postponed	p. 4
	Professional Liability Tax Equity Act introduced.	p. 4
Special	ACIR analyzes state and local cash management	p. 5

The information contained in this report has been prepared from sources considered reliable, but its accuracy is not guaranteed by us and is NOT necessarily a complete summary of all available materials on the subject. Opinions expressed herein do not necessarily reflect Institute policy. Reproduction of these materials without prior approval of the AICPA is prohibited.

AGRICULTURE, DEPARTMENT OF

A supplemental notice of proposed changes to the Self-Help Technical Assistance Grant regulations of the FmHA appeared in the 6/10/77 Fed. Reg., pp. 29885-906. The original recordkeeping requirements, which called for an accounting system to be established and certified as adequate by a CPA or "otherwise duly licensed public accountant" has been supplemented by requirements for internal control systems to safeguard accounting accuracy and efficiency. An incorporation by reference of FMC 74-7 has also been added. Comments are requested by 7/11/77.

CIVIL AERONAUTICS BOARD

Donald L. Tucker has been nominated by the President to be a member of the Board. If confirmed, Mr. Tucker will be designated vice chairman. Currently, Mr. Tucker is serving as the speaker of the Florida House of Representatives and vice chairman of the Council of State Governments for the Southern Region.

COMMERCE, DEPARTMENT OF

The General Accounting Office has urged the Office of Audits to increase its efforts to achieve the objective of 80% of the audits of OMBE grants and contracts being made by independent public accountants. In a report entitled "Reporting, Staffing and Other Changes Would Enhance the Internal Audit Function", GAO found that there was too little reliance on IPAs and that where independent audits were used, there was a failure to review the workpapers of the IPAs in many instances. GAO said that the policy of reviewing the workpapers of 20% of independent audits should be strictly adhered to. In the case of audits of EDA projects, GAO found that there was no review of IPA workpapers. Copies of the report (CED-77-58, 6/1/77) are available for \$1.00 each from the GAO, 202/275-6241.

COMMODITY FUTURES TRADING COMMISSION

The third stage of the four part procedure establishing financial integrity requirements for futures commission merchants (FCMs) was published in the 6/22/77 Fed. Reg., pp. 31740-42. These proposed regulations would establish an early warning system to give notice of a FCM's financial deterioration. One part of the system would require FCMs to notify the CFTC within 24 hours when an independent public accountant finds a material weakness in the FCM's internal control system. Comments on the proposals are due by 11/1/77.

FEDERAL POWER COMMISSION

A proposal to amend the uniform system of accounts for Class A and B gas companies to provide a separate accounting classification for base load liquefied natural gas terminaling and processing facilities appeared in the 6/17/77 Fed. Reg., pp. 30846-64. The Commission also proposes to amend certain schedules in annual report Form No. 2 to reflect the accounting classifications. The need for the new accounting classification is occasioned by the advent of base load LNG facilities. Comments are due by 8/8/77.

James G. Watt has resigned from the Commission effective 6/30/77. Mr. Watt stated in his letter of resignation that "...most of what can be constructively accomplished under existing law has been done". He went on to state that his resignation was in anticipation of the creation of a new Department of Energy.

FEDERAL RESERVE BOARD

Regulation J, which currently deals only with check collection, has been amended by the addition of a new section concerning the wire transfer of funds between member banks (see 6/23/77 Fed. Reg., pp. 31763-66). The New section codifies rules and procedures which have evolved over time and puts the rules into regulatory form. Existing regulations governing check collection remain unchanged. The section on the wire transfer of funds does not touch on other electronic payments, such as those processed through automated clearing houses or point of sale transactions.

A new consumer pamphlet entitled "The Equal Credit Opportunity Act and...Doctors, Lawyers, Small Retailers and Others Who May Provide Incidental Credit" is now available. The pamphlet explains the provisions of the Act to both consumers and lenders. Copies are available free by calling 202/452-3244.

The 63rd Annual Report of the Board of Governors has been released. The report contains information on the monetary policy and the economy in 1976 and the records, operations and organization of the Federal Reserve System. Among the specific items covered are legislation enacted during the past year, the condition of the banking system and supervision and regulation of banks and bank holding companies. Copies are available free at 202/452-3244.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The HEW Audit Agency has recently issued a new audit guide entitled "Audit Guide for Hospitals and/or Skilled Nursing Facilities". This Guide (HIM 16, revised March 1977) will be an important tool for those involved in audits of the federal Medicare program. HEW has made copies available to all Medicare Intermediaries and providers. Other interested parties may obtain copies through either of these two sources, or may order single copies by writing to: Assistant Director, Division of Audit Coordination, HEW Audit Agency, North HEW, Room 5700, 330 Independence Avenue, S.W., Washington, D.C. 20201.

Technical comments have been submitted to Sen. Talmadge (D-GA), Chairman of the Senate Finance Subcommittee on Health, by the AICPA Committee on Health Care Matters. The comments concern accounting matters in Mr. Talmadge's proposed Medicare-Medicaid Administrative and Reimbursement Reform Act (S.1470) on which hearings were held 6/7/77-6/10/77. The comments concern the following sections: 1) Sec. 2, criteria for determining reasonable cost of hospital services; 2) Sec. 31, State Medicaid Administration; and 3) Sec. 32, Regulations of the Secretary.

Anyone wishing to receive one free copy of the comments may do so by contacting our Washington office prior to 7/6/77. Telephone requests are encouraged and should be directed to extension 47.

"Investigations of Medicare and Medicaid Fraud and Abuse--Improvements Needed" is a recently released GAO report. GAO found that some fraud complaints were closed prematurely because of inadequate investigations, and that sampling procedures and monitoring of regional offices and contractors were inadequate. GAO further stated that the audits of Medicare institutional providers are usually not of sufficient scope to detect fraud and abuse and that intermediary auditors usually did not consider whether fraud or abuse were intended when they detected unallowable costs. Copies of the report (HRD-77-19, 5/23/77) are available from the GAO Reports Department for \$1.00 each, 202/275-6241.

HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF

Finalized procedural requirements for reactivating the College Housing Direct Loan Program for fiscal year 1977 were published in the 6/22/77 Fed. Reg., pp. 31752-58. The regulations require a certificate of project development cost which may be used by HUD in lieu of an audit for determining the final approved development cost.

INTERIOR, DEPARTMENT OF

Finalized regulations establishing a nonprofit corporate entity, the Trans-Alaska Pipeline Liability Fund, which would be strictly liable for all damages sustained as a result of oil discharges from vessels engaged in transportation of oil from the terminal facilities of the Alaska pipeline appeared in the 6/23/77 Fed. Reg., pp. 31789-93. The regulations contain provisions for an annual accounting and annual audits of the fund by GAO in coordination with the Department of Interior.

INTERNATIONAL TRADE COMMISSION

An investigation to analyze the impact of the fuel inefficiency tax and fuel efficiency rebate on the future of the U.S. passenger automobile industry is being conducted in response to a request from the Senate Finance Committee. As part of the investigation, a hearing will be held 7/6/77 in Room 119 of the Commission Headquarters, 701 E Street, NW, Washington. For additional information call 202/523-0161.

INTERSTATE COMMERCE COMMISSION

Regulations requiring regulated carriers with annual revenues of more than \$20 million to report annually on who controls the corporation, the corporate structure, affiliations of officers and directors, and holders of companies' debts have been adopted by the Commission. The regulations require that companies submit detailed information about organizations controlling or controlled by the reporting carrier. At the same time, Chairman O'Neal has requested the Bureau of Accounts to begin a study to obtain the names of persons holding significant amounts of voting stock of the largest Class I railroads. The regulations are expected to appear shortly in the Federal Register.

Finalized standards and procedures to promote the filing of railroad incentive rates associated with a capital investment of \$1 million or more were published in the 6/22/77 Fed. Reg., pp. 31602-04. The procedures were published pursuant to the Railroad Revitalization and Regulatory Reform Act and made effective 6/1/77.

LABOR, DEPARTMENT OF

The 64th annual report of the Department of Labor for fiscal year 1976 has been released. The report summarizes the activities of the major divisions within DOL. Copies of the report are available by calling 202/523-7316.

Proposed amendments to the DOL procurement regulations to conform their regulations to the Federal Procurement Regulations and to update certain requirements were published in the 6/21/77 Fed. Reg., pp. 31462-71. Comments are due by 7/21/77.

Final regulations under ERISA for persons providing services and office space to pension and welfare plans and a related class exemption from the prohibited transactions provisions of the Act for insurance agents and brokers, pension

consultants, investment company principal underwriters and others, with proposed additional conditions were published in the 6/24/77 Fed. Reg., pp. 32389-94. The "service provider" regulations clarify under what circumstances a party in interest including a fiduciary, may receive reasonable compensation for providing necessary services and office space to pension and welfare plans, describe when plan assets may be invested in deposits of banks or similar financial institutions which are plan fiduciaries or parties in interest, and set forth conditions under which ancillary services may be provided to plans by banks or similar financial institutions acting as fiduciaries to a plan.

SECURITIES AND EXCHANGE COMMISSION

A request for comments on a number of issues relating to the development of accounting practices pursuant to the Energy Policy and Conservation Act was announced in Rel. No. 33-5837. The release contains a discussion of a number of the accounting issues and solicits comments to aid the Commission in considering revisions to disclosure requirements relating to energy financial and operating data in filings under the Securities Acts. Comments are requested by 8/12/77.

Proposed standards to be applied in connection with the registration of clearing agencies were announced in Rel. No. 33-13584. The proposal contains provisions regarding the safeguarding of securities and forms, requiring audited financial statements together with a review by an independent public accountant of a clearing agency's internal accounting controls. Comments are requested by 7/15/77.

In a report on the Public Utility Holding Company Act, the GAO has found that the SEC had "reduced the scope and application of a statute designed by Congress to be wide-ranging and pervasive". The report, "The Force of the Public Utility Holding Company Act Has Been Greatly Reduced by Changes in the Securities and Exchange Commission's Enforcement Policies", found that most public utility holding companies currently are exempt from regulation. GAO called on the SEC to authorize a "thoroughgoing" study of developments in the gas and electric utility industry and determine the continued overall usefulness of the Act. Copies of the report (FGMSD-77-35, 6/20/77) are available from the GAO Reports Department for \$1.00 each by calling 202/275-6241.

Lee Pickard, Director of the Market Regulation Division, has announced that he plans to leave the Commission soon. Mr. Pickard, who has been with the SEC since 1971, headed the division responsible for overseeing the creation of a central market for the trading of securities. He has indicated that he will return to private law practice.

TREASURY, DEPARTMENT OF

The effective date for Rev. Rul. 76-453 on employee's transportation and commuting expenses will probably be delayed a third time until 10/1/77. Among many others, the AICPA and Peat Marwick Mitchell & Co. have criticized this ruling and requested that the IRS either withdraw it or define it exactly. Prior delays were granted to ensure adequate time for employers to make payroll and accounting system adjustments, but the confusion over the eventual fate of the ruling has precluded these changes from being made. A final announcement is expected this week, as the rule is presently slated to take effect 7/1/77.

Legislation has been introduced to assist businessmen by encouraging self-insurance against product and professional liability. The bill (HR 7711), introduced by Rep. Whalen (R-Ohio), would encourage individuals to establish tax-exempt trust

funds to be used as reserves against potential lawsuits and allow them to take a business deduction for the money placed in such trusts. The legislation is aimed at assisting professionals, in particular those smaller practitioners who cannot afford professional liability insurance or who must purchase policies with deductibles of \$10-15,000 or more.

SPECIAL: ACIR ANALYZES STATE AND LOCAL CASH MANAGEMENT

"Understanding State and Local Cash Management" is a recent report of the Advisory Commission on Intergovernmental Relations. The report reviews the field of cash management and describes current practices with a view to helping state and local governments to become more efficient cash managers. Copies of the report (M-112) may be obtained by calling the Commission, 202/382-2116.

For further information contact:
Wade Williams or Dan Myers
202/872-8190

AICPA *Washington Report*

American Institute of Certified Public Accountants

1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL